

Reforestation of Timberlands

September 13, 2011 - Doswell Virginia

Present: Chairman Greg Scheerer, Frank Sherwood, Carter Flippo, Ervin Bielmyer, Tommy Barnes, Tom Newbill, Bill Carden, Cliff Somerville, Anne Beals

VDOF: Carl Garrison, John Carroll, Ron Jenkins, Dean Cumbia, Todd Groh, Scott Bachman (Assistant Regional Forester, Eastern Region), Becky Woodson

Guest: Kurt Christensen (guest from Culpeper County)

Mr. Scheerer called the business meeting to order at 10:07. He asked for introductions of Board members and guest(s) and reviewed the Anti-Trust Statement regarding not discussing prices, etc.

The minutes of the regularly scheduled March meeting and the special June meeting were reviewed and approved by motion from Mr. Flippo and seconded by Mr. Newbill.

Welcome and Agency Update: State Forester Carl Garrison updated the Board and started by saying that the VDOF has been busy with emergency response (earthquake & hurricane) and Dismal Swamp fire. There has been an aerial survey and ground truthing done to determine damage from hurricane. It has been determined that damage was mostly light and variable. However, a few areas did sustain heavier damage, concentrated east of I-95 and south of the James River (Sussex, Dinwiddie).

The Department is in middle of federal funding process that will help support many programs; 15% of the funds are competitive between the thirteen southern states and we are formulating and will be submitting grant ideas by mid November.

The Department has submitted a list of potential legislative changes and budget amendments to the Secretary. The Reforestation of Timberlands proposed changes that the Board worked on in July were on the list. The 500M surplus in state that was announced earlier this summer has already been spoken for and none of this funding will be going to individual agencies.

The Department held a Forest Trends meeting (FIA updates) at Charlottesville Headquarters Office in early August with forestry stakeholders from across the state. The information provided at the meeting outlined 2010 FIA information and highlighted trends, including a concern over the pine growth to removal ratio in Southside Virginia.

As of mid summer, Southampton County forester Harvey Darden has been reassigned to oversee the management of DOF owned lands (nurseries, state forests). Harvey was a forester with Union Camp and International Paper until he retired and is good at analyzing business practices. His background includes work with tree orchards, nurseries and he was the Regional Manager for insuring the wood flow into the former International Paper Mill in Franklin, Virginia.

The Department of Forestry has promoted Toni Noreika into the Eastern Regional Forester position in Waverly. Toni has worked with the Department for 26 years, most recently as the Assistant Regional Forester in Waverly. There were numerous good internal and external candidates who applied for the position.

Nursery/Tree Improvement Program Update (John Carroll): The seedling sales were financially good this year. The Garland Gray Forestry Center (GGFC) sold all of the 24M loblolly that were grown; and therefore has planted a slight increase in seed to produce 26M this coming planting season. The Augusta Forestry Center (AFC) is going into the third year of a three year plan to make the nursery profitable and we are making some good progress. Our current production of white pine seedlings is 1 million with predicted in state sales of 400,000. With this expected surplus, we will pursue sales out of state. A Board member asked if loblolly seedlings were being sold out of state. Mr. Carroll said that the Department did not “actively” sell loblolly seedlings out of state; however we do not know whether large planting contractors who purchase our seedlings are only planting them in Virginia. Justin Funk has been hired as assistant nursery manager at GGFC to assist Dwight Stallard.

John then updated the Board on the tree improvement program and cone picking activities scheduled. The Department expects to have about a ¼ million Mass Controlled Pollinated seedlings (MCP): ¼ million and ¼ million of Virginia’s best (single family) available to landowners in the upcoming season. There will be a cap of 20,000 seedlings per order for these seedlings to give more people a chance to get these improved seedlings. The new price lists are now available. Cone harvesting of selected tree families is scheduled in the coming weeks in our Georgia orchard and we will finish in 2-3 weeks. Cones will then be harvested at New Kent Orchard the following week. The New Kent Orchard did lose 110 trees from Hurricane Irene, which is less than 10% of the overall orchard. This loss included some of the shortleaf pine and MCP trees along with the loblolly pines. Mr. Newbill asked about the total revenue generated from both nurseries and Mr. Carroll responded that the nurseries generate an average of 1.7 million annually.

Review Items (Todd Groh and Dean Cumbia): Todd Groh referred the Board members to the accomplishment and budget tables and graphs that were included in their meeting packets.

FY2011 Highlights:

Total projects completed – 1,054 on 39,468 acres

Incentives paid to landowners – \$1,092,308 (spent 96% of funding allocated to incentives)

The Regions are doing good job of managing the funding so they can be used for projects.

Total Revenue Collected – \$2,123,325 (FPT, General Fund, Equipment rental, 2010 Carryover)

Total Expenses – \$1,944,480 (Tax Dept., Tree Improvement, Program costs, Landowner Incentives)

Funding Carryover to 2012 - \$178,845

Mr. Christensen asked what the general contract price for Practice 6, aerial herbicide application, is and Todd responded between \$60 and \$70 per acre. The RT rate covers about thirty five percent of the cost.

Scott Bachman mentioned that adding Practice 8, ground herbicide application, was a very good thing because it helped take some herbicide application out of air and onto the ground in sensitive areas.

FY2012 Highlights as of 8/15/11:

Total Projects signed up – 256 on 10,804 acres

Initial landowner incentive allocation to Regions – \$831,686

Practice incentive rates remain unchanged from the 2010 rates

Projected Revenue – \$2,025,101 (FPT, General Fund, Equipment rental, 2010 Carryover)

Projected Expenses – \$1,647,405 (Tax Dept., Tree Improvement, Program costs, Landowner Incentives)

Current Balance - \$377,696

Additional landowner incentive allocation – \$300,000 (to go out 9/16/2011)

Revenues will be evaluated in January 2012 to determine if additional incentives can be allocated.

Information/Discussion Items:

Todd Groh reviewed the Forest Product Tax (FPT) Collection summary and explained that the actual tax collected exceeded the General Assembly projection by about \$76,000. An exceptionally good first quarter collection helped carry the second, third and fourth quarters which were all below the previous year's collection. Todd will continue to monitor the FPT collection monthly.

Ron Jenkins reviewed results of July 26 special RT Board meeting to look at range of current authority RT Board has with regard to the FPT, the RT Act, and RT regulations. This meeting produced an excellent product, which is now under review by the Secretary's office. The Secretary expressed deep appreciation for the work done by the RT Board and recommended that the Department talk with industry stakeholders and solicit more input from them into the process. These documents are now Governor's confidential working papers. Mr. Scheerer asked what else RT Board could do to help. Mr. Garrison said that members could provide information and discuss the changes with stakeholders also. Members were asked that if they know of individuals that would benefit from information to let Mr. Jenkins and/or Mr. Garrison know. Mr. Flippo said that Randy Bush has given him some feedback already.

Mr. Scheerer asked if it would be helpful if the Board went into **closed session** to further discuss the topic and Mr. Flippo motioned to have a closed session. Mr. Bachman and Mr. Christensen left the room and the closed session began 11:18 am. The regular meeting began again at 11:32 am.

Mr. Garrison said that as soon as the Department gets notice from the administration that this will be an agency bill, the Board members will be notified and may begin contacting people to offer support for the bill.

Other Items from the Board: Mr. Cumbia reviewed the changes in the federal H-2B temporary worker program. The Department of Labor regulates the H-2B program. This program permits employers to temporarily hire nonimmigrants to perform nonagricultural labor or services in the United States. The employment must be of a temporary nature for a limited period of time such as a one-time occurrence, seasonal need, peakload need or intermittent need.

Dean said that the Department of Labor has increased the H-2B guest worker wages substantially and could likely affect the RT incentives to landowners. Much of the labor work in the woods is

done by guest workers. Since 2004, guest workers are categorized by levels (1- entry level; 2- fully competent; 3- supervisory 4- management). Most of the current laborers are paid at a level 1 rate; however the new wages that will go into effect October 1 increases the rate to a level 3.

This change will affect the Department of Forestry's nursery operations with an increased labor cost of \$1.40 per 1000 pine seedlings and potentially a \$6.00 increase for hardwoods. *The Department expects reforestation (seedlings & planting) costs to landowners will increase by about 40%. Mr. Barnes asked what the current wage prices were for planting. The Labor Department sets wages for 15 regions in Virginia. The average wage for all of these regions for Level 1 workers is \$9.73. The new average wage will be \$17.49.* The speculation was that at a higher wage more domestic workers would be encouraged to do some of the work. Greg Scheerer thought that this change could have a big impact on the RT accomplishments, and that the Board will need to look very closely to see if the practice rates can be changed to help offset the impact.

Mr. Carden asked, based on this information, if the state's general fund match to the RT Program could be increased to assist with the increased labor costs because, in general, higher wages will equal higher reforestation costs. Mr. Christiansen suggested that letters from appointed Boards may have a greater impact on legislators.

Mr. Barnes made a motion, seconded by Ms. Beals, that the RT Board draft a letter to the Secretary of Agriculture and Forestry, asking that he solicit the Virginia Congressional Delegation to suggest that the Department of Labor revisit the H-2B issue. Todd Groh will assist Chairman Greg Scheerer in drafting the letter.

Todd Groh gave the Board a brief history of the Department's and the Board's efforts to attain a position within the Tax Department to help research and enforce payment of the forest products tax. Currently, it is difficult to hire a new position in any state government agency because there is a hiring freeze in place. Mr. Garrison suggested to the Board that the Department is not in a place to hire anyone right now and that the Board review the possible position during the March meeting to see if the economic and political climate has changed and if there is an opportunity to hire.

Mr. Scheerer offered to host the March 8, 2012 meeting in Appomattox, rather than Covington to look at Westvaco woodlands. Mr. Barnes made motion to hold next meeting in Appomattox and the motion was seconded by Ms. Beals.

Mr. Barnes made motion to adjourn the meeting, which was seconded by Ms. Beals. The meeting was adjourned at 12:12 pm.

Following lunch, Mr. Flippo gave the attendees a tour of the Flippo Lumber Company facility.